

Current Fraud Landscape in Governance: Risks and Mitigations

OJK Institute Webinar – SPARK Class
16 April 2026

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ACFE[™]

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Indonesia Chapter #111

Here with you today



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Brief

- President, ACFE Indonesia Chapter
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Educations

- Master's Degree in Forensic Accounting, University of Wollongong, Australia
- Bachelor's Degree in Accounting, University of Indonesia

Certifications

- Certified Public Accountant
- Certified Fraud Examiner
- Chartered Accountant
- Asean CPA
- Certified ISO 37001 Senior Lead Implementer
- Certification in Audit Committee Practices
- Qualified Internal Auditor
- Associate Certified Financial Investigator

Global Fraud Landscape



Current global fraud trend is characterized by rising digital identity risks, rapid AI-driven scams, increasingly sophisticated cross-border fraud networks, and resurgence of cryptocurrency and digital asset fraud.



The use of generative AI in schemes like phishing, business email compromise, account takeovers, impersonations, romance scams such as pig butchering, and more.



Hundreds of thousands of human trafficking victims are in “forced criminality” situations in Southeast Asia, and similar cyber-scamming criminal organizations have been identified worldwide.



Malware attacks, particularly on mobile devices, are finding new ways to infect devices. This includes leveraging accessibility features, injecting malware into legitimate app updates, or distributing bogus apps

Source: ACFE Fraud Magazine 2025 & United Nations Office on Drugs and Crime
ACFE Managing Fraud Risks in an Evolving ESG Environment

Global deepfake-related scam losses \$ 1.65 billion in 2025

Financial Institutions, Money Service Businesses and Telecommunications Companies Can Expect Increased Blame

Since fraud revenues generally have to pass through financial institutions and/or money service businesses at some point, while fraudsters also have to utilize telecommunications networks for the emails, chats, calls and messages that target victims.

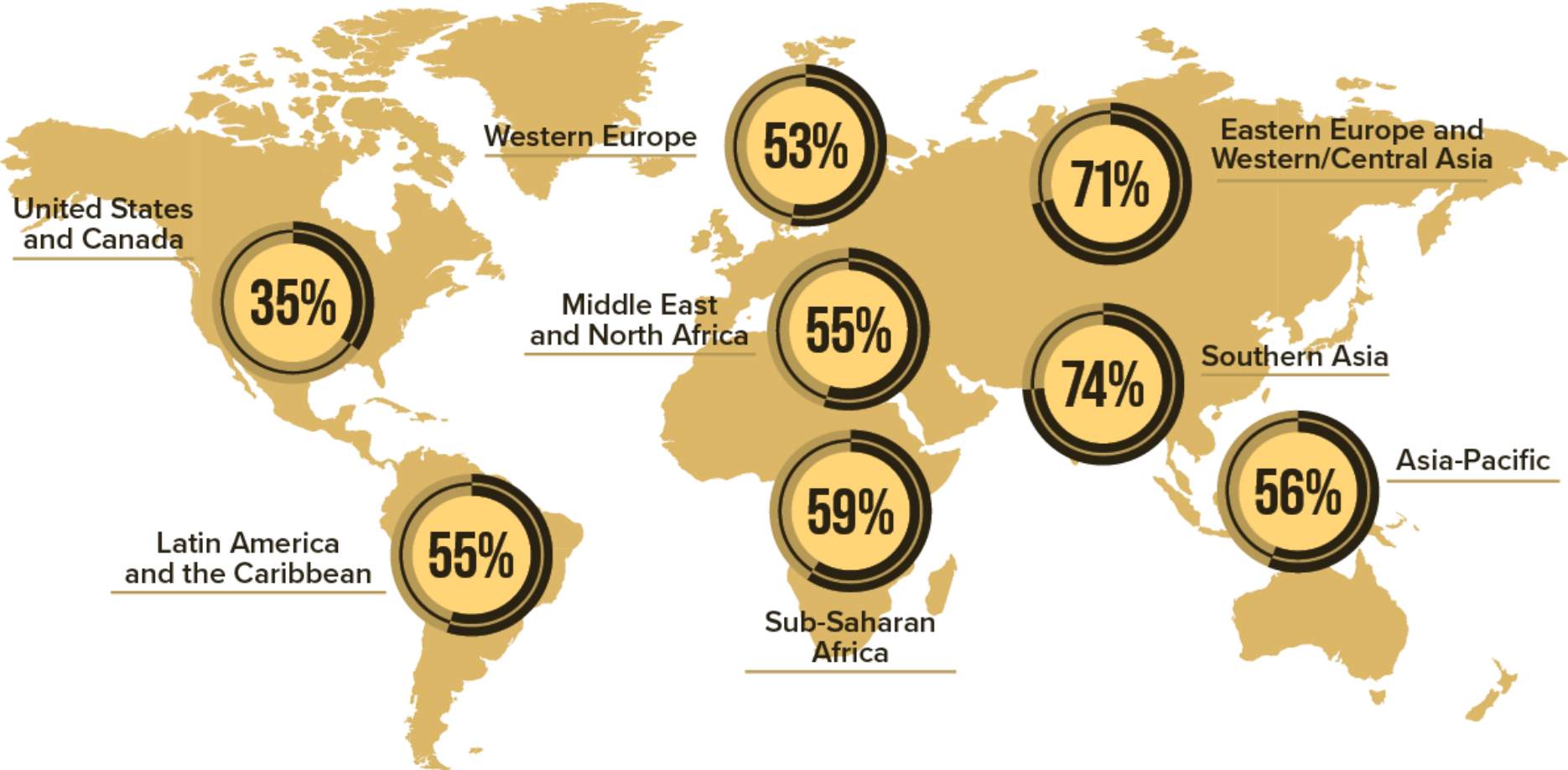


In addition to the three ACFE Fraud Tree categories— corruption, asset misappropriation, and financial statement fraud—the **ESG fraud taxonomy includes a fourth category called nonfinancial reporting fraud**, which introduces **ESG-reporting-related fraud risks**.

However, we should not ignore **basic and ‘old school’** fraud risks and schemes – they still broadly exist.



In Term of Region, How Does Corruption Risk Vary?

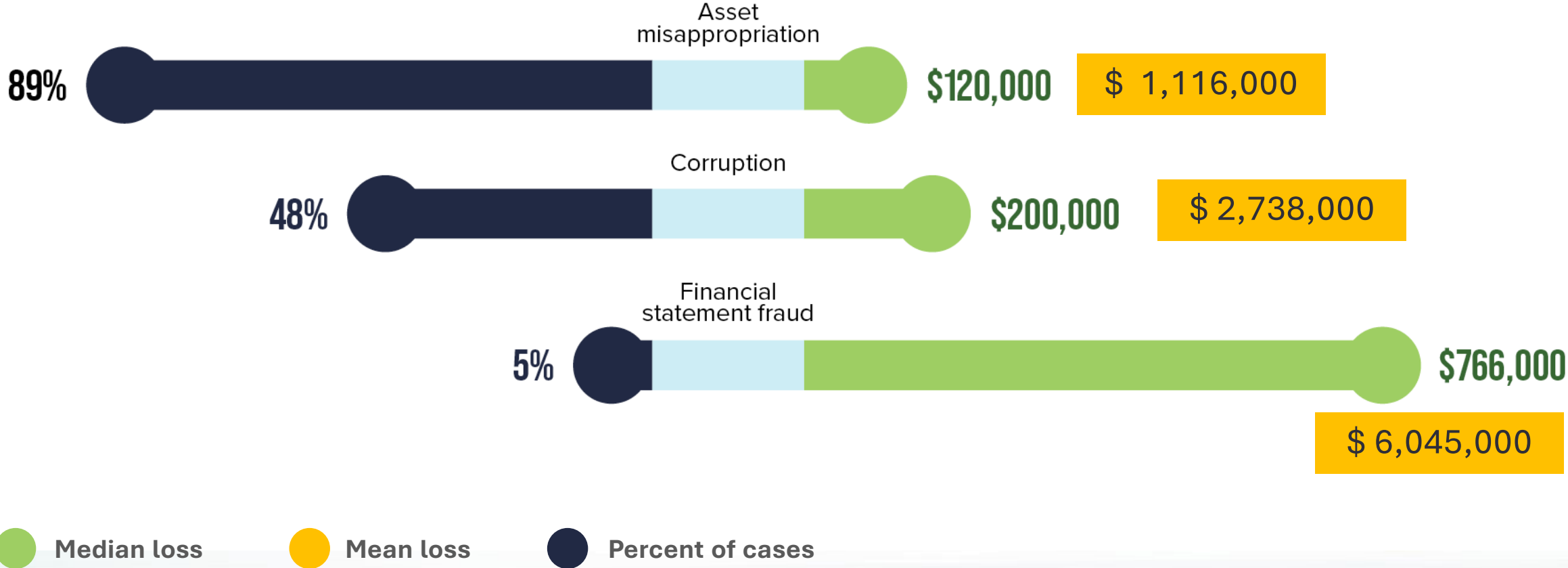


Source: Report to the Nation 2024, ACFE

Fraud Occurrence by Industries



Occupational Fraud: An Ever-present Risk Landscape



Source: Report to the Nation 2024, ACFE

Local Fraud Landscape

Top 3 industries impacted by occupational fraud



15% Government



14% Construction

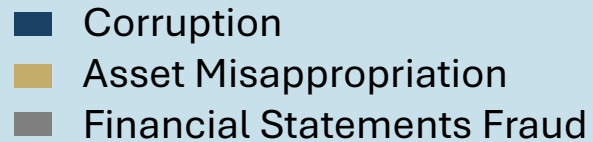


12% **Banking and financial services**

12.2%

47.6%

40.2%



Top 3 internal control weaknesses that trigger fraud



Lack of internal controls



Lack of tone of the top



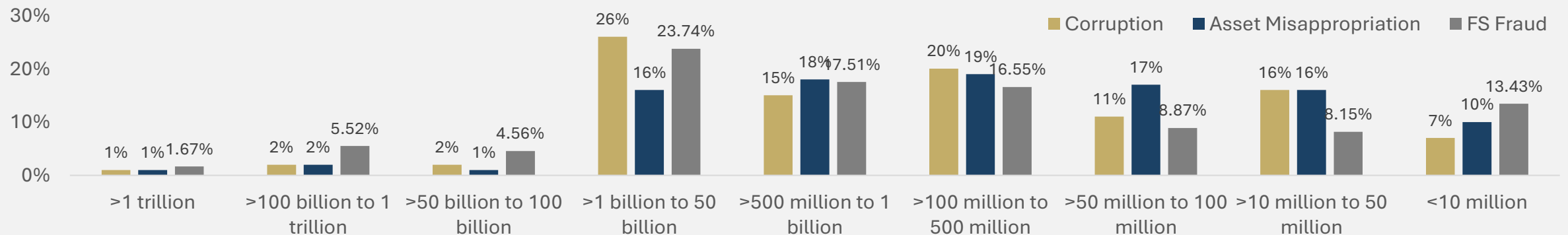
Override existing internal controls

Indonesia CPI score 2025

34

India 39
Singapore 84
Switzerland 80

Average Loss Value per Case (in IDR)



Source: Survei Fraud Indonesia 2025, ACFE Indonesia Chapter & Corruption Perception Index 2025, Transparency International

Corporate Criminal Liability: Why and Why Now?

Increasing number of non-compliance and fraud cases

- **Rise in Fraud and Non-Compliance:**
Increased regulatory scrutiny reveals unethical practices such as fraud, bribery, and environmental violations. These cases often stem from weak internal controls, poor risk management, or a culture that tolerates misconduct.
- **Regulatory and Reputational Implications:**
Non-compliance and fraud expose corporations to severe penalties and reputational damage.

Increased enforcement through the development of new regulations

- **UU No. 3/1971**
Eradication of Corruption.
- **UU No. 31/1999**
Eradication of Corruption.
- **PERJA No. 28/2014**
Procedures for Criminal Cases Handling by Corporations.
- **PERMA No. 13/2016**
Guidelines for Handling Criminal Cases Involving Corporations.
- **UU No. 01/2023**
Criminal Code (KUHP).
- **POJK No. 12/2024**
Anti-Fraud Strategy.
- **POJK No. 15/2024**
Integrity of Bank Financial Reporting.

Moving towards global leading practices

- **US Foreign Corrupt Practices Act**
Prohibits bribing of foreign officials and mandates accurate record-keeping and internal control.
- **UK Bribery Act**
Prohibits commercial and public bribery. And regulates the offense for failing to prevent bribery.
- **ISO 37001 Anti Bribery Management System**
International standard that provides framework for anti-bribery.
- **UK Economic Crime and Corporate Transparency Bill 2022**
Enhances corporate transparency by expanding law enforcement powers to investigate financial crime.

New KUHP's Corporate Criminal Liability: The Game Changer

Corporate Crime: Criminal acts committed by the organizers who have a functional position in the organizational structure of the corporation or persons based on work relationships or based on other relationships who act for and on behalf of the corporation or act in the interests of the corporation, within the scope of business or activities of the corporation, either individually or together.

A corporation can be held responsible and criminalized when:


- such activity is included in the scope of business or activities as defined in the Article of Association or other provisions applicable to the corporation;
- such activity unlawfully benefits the corporation
- such activity is accepted as corporate policy;
- **corporation fails to take the necessary steps to prevent, mitigate greater impacts, and ensure compliance with applicable legal provisions to avoid the crime; and/or**
- the corporation allows crime to occur.

Responsible Parties

- Key management
- Owners up to ultimate beneficiary owners

Sanctions

- **Main charge:**
Fine / penalty (from IDR 200 million up to IDR 50 billion)
- **Additional charge(s):**
 - Revocation of certain rights and permits;
 - confiscation of certain goods and/or claims;
 - announcement of a judge's decision;
 - payment of compensation; and
 - fulfillment of local customary obligations.



Questions:
**To what extent can corporation efforts be
perceived as **adequate**?**

Why Corporations are Vulnerable to Corporate Criminal Liability



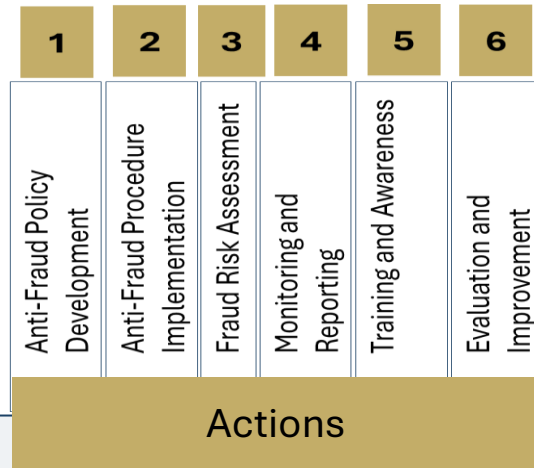
Anti-fraud compliance implementation is still in the form of fulfilling regulations (**ticking the box**).



No guideline released yet on the adequacy of the expected fraud prevention effort acceptable to both business and law enforcement/regulator.

How organization should navigate

Aligning with Anti-Fraud Strategy as Organization's Integrity Agenda



1. Tone from the top

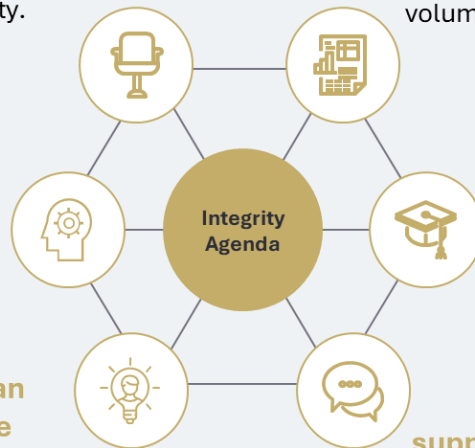
Commitment from the top management is a critical to develop a culture of integrity.

2. Really know your business

Performing risk assessments are at the heart of the journey to protect your organization.

3. Put the human into compliance

Systems and processed don't commit fraud, humans do. Hence, a strong integrity culture is important.



4. Be empowered by the power of your own data

Treat the growth in data volumes as an opportunity to combat fraud.

5. Educate, don't just train

Move from training to educating, so everyone understands the "why" and "what" of business integrity.

6. Speak up and support whistleblowing

Give people the opportunity to report suspected wrongdoings in good faith and make them feel safe.

COSO/ACFE Fraud Risk Management Guide



Control Environment

Principle 1

The organization establishes and communicates a Fraud Risk Management Program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk.



Risk Assessment

Principle 2

The organization performs comprehensive fraud risk assessments to identify specific fraud schemes and risks, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks.



Control Activities

Principle 3

The organization selects, develops, and deploys preventive and detective fraud control activities to mitigate the risk of fraud events occurring or not being detected in a timely manner.



Information & Communication

Principle 4

The organization establishes a communication process to obtain information about potential fraud and deploys a coordinated approach to investigation and corrective action to address fraud appropriately and in a timely manner.



Monitoring Activities

Principle 5

The organization selects, develops, and performs ongoing evaluations to ascertain whether each of the five principles of fraud risk management is present and functioning and communicates Fraud Risk Management Program deficiencies in a timely manner to parties responsible for taking corrective action, including senior management and the board of directors.

How organization should demonstrate adequate efforts

Implement Fraud Risk Management (4 pillars) or equivalents framework

- **Prevention:**
Implementing controls to reduce the risk of fraud occurring.
- **Detection:**
Focuses on identifying fraud through monitoring, audits, data analytics, and whistleblower systems.
- **Reporting:**
Encourages secure communication channels to report suspected fraud incidents without fear of retaliation.
- **Follow Up:**
Ensures thorough investigation, taking corrective actions, and improving processes to prevent recurrence.

Respond to fraud allegations and remediate loopholes before regulatory agencies intervene

- **Maintaining credibility and trust**
Responding promptly to allegations of fraud and remediating loopholes before regulatory intervention is crucial to maintaining organizational credibility, control, and trust.
- **Demonstrate commitment and reduces exposure to penalties**
Taking proactive action demonstrates a commitment to ethical practices, reduces potential penalties, and minimizes reputational damage. It also allows the organization to address vulnerabilities internally and strengthen controls before external scrutiny intensifies.

Have the framework and processes reviewed by competent and independent party

- **Competent:**
To ensure credibility, accuracy, and reliability of the findings, competent reviewers possess the necessary expertise and knowledge of relevant laws and standards, which helps maintain trust and compliance while mitigating potential errors or biases.
- **Independent Party:**
To ensure objectivity, impartiality, and integrity in the process. Independence eliminates potential conflicts of interest, and reduces bias, fostering trust among stakeholders, including regulators, and ensuring compliance with ethical and professional standards.

Key Takeaways

- Fraud risk has been widely known as an **inherent risk** to the business. Failure of mitigation could lead to **catastrophic** situation.
- Indonesia has taken a big step towards governance and integrity by stipulating corporate criminal liability to its criminal code where corporations are **required to have necessary measures** to protect themselves from corporate criminal liability.
- Guidance for adequate measure is essential. While such guidance has not yet been released, corporations should delve into the **leading practices** and **global enforcement** as reference for their organization.
- Executives, as the leader and representative of a corporation should protect both themselves and the corporation by **demonstrating tone at the top, actively leading and overseeing** the development of prevention measures.

Thank You

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If you think compliance is expensive, try non-compliance.

Paul McNulty

Former US Deputy Attorney General



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